PORTAGE TOWNSHIP MACKINAC COUNTY, MICHIGAN

Financial Statements For the Year Ended June 30, 2006

Prepared By:Richard E. Mahlmeister, C.P.A., P.C. 580 South Nicolet, P.O.Box 996 Mackinaw City, MI 49701

Michigan Department of Treasury

	_		of 1968, as amended an			Local	Init Name		County
	ounty		□City ☑Twp	□Village	□Other	Port	ge Township		Mackinac
	Year			Opinion Date			Date Audit Report Submit		
lun	e 30	, 20	06	December	5, 2006		December 30, 20	06 	
e at	firm	that:							
e ai	e ce	rtified	d public accountants	s licensed to p	ractice in M	lichiga	٦.		
e fu ana	rther gem	affir ent L	m the following mat etter (report of com	erial, "no" resp ments and rec	onses hav ommendat	e beei ions).	disclosed in the financial state	ments, inclu	ding the notes, or in the
	YES	_					ons for further detail.)	:-! 04040	ments and/or disclosed in t
	X		reporting entity not	es to the finan	cial statem	ents a	local unit are included in the fill necessary.		
•		×	(P.A. 275 of 1980)	or the local ur	nit has not	excee	of this unit's unreserved fund based its budget for expenditures.		
	×						art of Accounts issued by the D	epartment o	of Treasury.
-	X		The local unit has	adopted a bud	get for all r	equire	funds.		
	×		A public hearing or	n the budget w	as held in	accord	ance with State statute.		
	X		other guidance as	issued by the	Local Audi	t and f			
,	X		The local unit has	not been delin	quent in di	stribut	ng tax revenues that were colle	cted for ano	ther taxing unit.
	X		The local unit only	holds deposits	s/investme	nts tha	comply with statutory requiren	nents.	
	X		Audits of Local Un	its of Governn	nent in Mici	higan,	ditures that came to our attenti as revised (see Appendix H of I	sulleum).	
0.	X		that have not been	n previously co	mmunicate	ed to ti	nbezzlement, which came to ou e Local Audit and Finance Divis e report under separate cover.	ur attention o sion (LAFD).	luring the course of our aud If there is such activity tha
1.		×	The local unit is from	ee of repeated	comments	from	revious years.		
2.	×		The audit opinion	is UNQUALIFI	ED.				
3.	X		accepted account	ing principles (GAAP).		B 34 as modified by MCGAA S		and other generally
4.	×						payment as required by charte		
5.			To our knowledge	, bank reconci	liations tha	t were	reviewed were performed timel	у.	
nc des	luded	in tion(s	his or any other and of the and of the authority are	udit report, no id/or commissi	r do tney on.	obtain	ded) is operating within the boa stand-alone audit, please e curate in all respects.	oundaries of nclose the r	the audited entity and is r name(s), address(es), and
			igned, certify that tr		Enclose		t Required (enter a brief justification	 n)	
	_		atements	<u> </u>					
Th	e lett	ter of	Comments and Re	commendation	ns 🔀				_ _
Ot	her (I	Descri	be)						
			Accountant (Firm Name)				Telephone Number		
Richard E. Mahlmeister, CPA, PC					231-436-5223 City	State	Zip		
Street Address 580 South Nicolet Street, P.O. Box 996					Mackinaw City	MI	49701		
		yuu	Alsignature Mull					License	

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Member: American Institute of Certified Public Accountants Michigan Association of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

December 5, 2006

Township Board Portage Township Mackinac County, Michigan

I have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of *Portage Township*, *Mackinac County*, *Michigan*, as of and for the year ended June 30, 2006, which collectively comprise *Portage Township's* basic financial statements as listed in the table of contents. These financial statements are the responsibility of *Portage Township's* management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of *Portage Township, Mackinac County, Michigan*, as of June 30, 2006, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages I through 6 and 26 through 30, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

Richard E. Mahlmeister, C.P.A.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended June 30, 2006. Please read it in conjunction with the financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

FINANCIAL HIGHLIGHTS

Government-Wide Highlights

Net assets at June 30, 2006 totaled \$1,005,212, representing an increase of \$144,350 from the previous fiscal year.

Governmental Fund Highlights

The governmental fund activities of the Township reported combined ending fund balances of \$650,440, which represents a decrease of \$47,693 from the previous fiscal year.

Capital Assets and Long-term Debt

\$151,064 of capital assets were acquired during the year. The Township repaid \$72,500 of long-term debt during the fiscal year. The Township also borrowed \$13,500, of total installment notes of \$221,500 for the purchase of two new fire trucks.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: 1) management's discussion and analysis; 2) the basic financial statements; and 3) required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities and/or business-type activities. There were no business-type activities for the fiscal year June 30, 2006.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Township as a whole, using accounting methods used by private companies. The Statement of Net Assets includes all of the Township's assets and liabilities. The Statement of Activities records all of the current year's revenues and expenses, regardless of when received or paid.

The two Government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities. This is one method to measure our financial health or position.

Over time, increases or decreases in the Township's net assets are an indicator of whether financial position is improving or deteriorating.

To assess the overall health of the Township, you may also consider additional factors such as tax base changes, facility conditions, and personnel changes.

Most of the activities are reported as governmental activities. These would include the operations recorded in the General Fund, Road Fund, Fire Fund, Ambulance Fund and Library Fund. The South Manistique Lake Improvement Board is presented, but is considered a component unit, not part of the primary government.

The comparison of net assets of governmental activities from year to year serves to measure a government's financial position:

PORTAGE TOWNSHIP Net Assets June 30,

	GOVERNM ACTIV	
Assets:	2006	2005
Current assets	\$662,864	\$715,359
Other assets	7,614	-
Capital assets (net)	423,856	299,125
Total assets	1,094,334	1,014,484
Liabilities: Current liabilities Noncurrent liabilities Total Liabilities	84,122 5,000 89,122	91,122 62,500 153,622
Net assets: Invested in capital assets, net of related debt Restricted Unrestricted	410,356 182,611 412,245	289,125 236,196 335,541
Total Net Assets	\$1,005,212	\$860,862

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

The most significant portion of the Township's Net Assets is the investment in capital assets (e.g. land, buildings, equipment and emergency vehicles), less any related debt that is outstanding used to acquire or construct the asset. The Township has \$412,245 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by policies regarding their use.

The following table summarizes the results of the changes in Net Assets of the Township:

PORTAGE TOWNSHIP Change in Net Assets June 30,

	GOVERNMENTAL ACTIVITIES	
	2006	2005
REVENUES:		
Program revenues:		
Charges for services	\$54,859	\$64,580
Operating grants and contributions	1,450	11,135
Capital grants and contributions	8,100	38,985
General revenues:		
Property taxes	434,331	411,032
State-shared revenues	89,510	83,357
Interest income	21,921	9,564
Other	16,742	41,748
Total Revenues	626,913	660,401
EXPENSES:		
Legislative	35,203	32,270
General government	105,212	114,484
Public safety	159,668	182,177
Public works	116,239	114,663
Recreation and culture	31,953	24,749
Other	30,521	30,653
Interest on long-term debt	3,767	8,421
Total Expenses	482,563	507,417
NET ASSETS:		
Increase in net assets	144,350	152,984
Beginning Net Assets	860,862	707,878
Ending Net Assets	\$1,005,212	\$860,862

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

Governmental Activities

The Township is able to report positive balances in its net asset balances. During the fiscal year, net assets increased by \$144,350.

Property tax revenue increases, when compared to last fiscal year, totaling \$23,299 can be attributed to increased tax revenue due to rising taxable property values. Decreases of capital and operating grants and other revenues from prior year are attributable to a timber sale in prior year and a FEMA grant for the Fire Department received in the prior year. Ambulance activity remained about the same, with accounts receivable being slightly higher.

Our total expenditures decreased slightly, mainly due to decreased public safety costs that can be attributed to the Fire Department experiencing major repairs expense in the prior year. Recreation and culture were affected by an increase in the Township commitment to fund library services to the community. The Road Fund budget was affected by the delayed completion of a major road project resulting in road funds being retained.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds, not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. They may also be created by the Township Board. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Township has the following types of funds:

Governmental Funds

Most of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

The Township maintains five individual governmental funds; General Fund, Road Fund, Fire Fund, and Ambulance Fund, of which we consider major funds. We also have a Library Fund, which is considered a non-major fund. The Township funds are financed primarily by both property tax revenue and state shared revenues.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FUND FINANCIAL STATEMENTS (CONTINUED)

Fiduciary Funds

The Township acts as a trustee or fiduciary and is responsible for insuring that the assets of these activities are collected and disbursed to the respective entities to which the funds belong. The Township maintains these funds and is responsible for insuring that the assets of these activities are spent for their intended purpose and at the direction of those individuals/organizations to whom the funds belongs. These activities do not appear in the Township's government-wide financial statements since the assets do not belong to the Township. The Township maintains a Tax Collection Fund in this category.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental Fund Activities

The Township's fund activities remained consistent. The Township continued to provide the same services to its residents: administrative, assessing, elections, township hall maintenance, road maintenance, fire protection, and tax collection. The General Fund increased its fund balance by \$7,327, bringing the fund balance to \$137,251, the Road Fund decreased its fund balance by \$6,676, bringing the fund balance to \$201,434, the Fire Fund decreased its fund balance by \$89,629, bringing the fund balance to \$154,176, the Ambulance Fund increased its fund balance by \$94,140, bringing the fund balance to \$135,103, and the Library Fund increased its fund balance by \$322, bringing the fund balance to \$22,476.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2006, the Township's governmental activities had \$423,856 in net capital assets (land, buildings, equipment and emergency services vehicles). There are \$151,064 in new capital assets purchased during the current year, which includes emergency equipment and the cost of starting the process of acquiring our two new fire trucks.

Long-Term Debt

The Township repaid \$72,500 of long-term debt during the fiscal year. The Township also borrowed \$13,500, of total installment notes of \$221,500 for the purchase of our two new fire trucks. Total debt outstanding at June 30, 2006 is \$76,000.

BUDGETARY HIGHLIGHTS

There were no significant differences between the original and final budget.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

While the Township expects financial aspects of governing to be generally the same as in the current year, the 2006-2007 budget anticipates approximately \$269,500 of capital outlay expenditures on the delivery of our new fire trucks. We also anticipate budgeted road expenditures in the amount of \$175,000 in the upcoming year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONTACTING TOWNSHIP MANAGEMENT

This financial report is designed to provide our citizens, creditors, investors, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for revenues it receives. If you have any questions concerning this report, or need additional information, please contact any township official at 906.586.9522 (Portage Township offices).

Donald D. Ferris

Portage Township Supervisor

Marcia L. McDonald

Portage Township Clerk

Nancy J. Kister

Portage Township Treasurer

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

PORTAGE TOWNSHIP STATEMENT OF NET ASSETS JUNE 30, 2006

	PRIMARY GOVERNMENT	COMPONENT UNIT
ASSETS	GOVERNMENTAL ACTIVITIES	S. MANISTIQUE LAKE IMPROVE- MENT BOARD
Cash and cash equivalents	\$542,428	\$6,372
Investments	15,593	-
Receivables:		
Accounts receivable	18,744	
Due from fiduciary fund	62,133	
Due from other governmental units	23,966	
Debt issuance costs	7,614	
Capital assets (Net of Accumulated Depreciation)	423,856	
TOTAL ASSETS	\$1,094,334	\$6,372
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$12,424	\$
Accrued interest	698	
Long-term liabilities:		
Due within one year	71,000	
Due in more than one year	5,000	
TOTAL LIABILITIES	89,122	
NET ASSETS:		
Invested in capital assets, net of related debt	410,356	
Restricted for equipment purchases	182,611	
Unreserved	412,245	6,372
TOTAL NET ASSETS	1,005,212	6,372
TOTAL LIABILITIES		
AND NET ASSETS	\$1,094,334	\$6,372

The accompanying notes are an integral part of these financial statements.

PORTAGE TOWNSHIP STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	
Primary government				
Governmental activities				
Legislative	\$35,203	s -	s -	
General government	105,212	3,050	3 -	
Public safety	159,668	51,809	-	
Public works	116,239	-	-	
Recreation and culture	31,953	_	1,450	
Other	30,521		1,730	
Interest on long-term debt	3,767	<u> </u>	·	
Total governmental activities	482,563	54,859	1,450	

General Revenues
Property taxes
State-shared revenues
Unrestricted interest income
Other

Total general revenues

Change in net assets

Net assets, beginning of year

Net assets, end of year

Net (Expense) Net (Expense) Revenue and Changes in Net Assets

Capital Grants	Primary Government	Component Unit S. Manistique Lake Improvement Board
and Contributions	TOTAL	TOTAL
s -	(\$35,203)	\$ -
	(102,162)	
8,100	(99,759)	_
-,	(116,239)	(1,900)
-	(30,503)	-
	(30,521)	-
	(3,767)	-
8,100	(418,154)	(1,900)
	434,331	-
	89,510	-
	21,921	196
	16,742	· · · —
	562,504	196
	144,350	(1,704)
··· -	860,862	8,076
_	\$1,005,212	\$6,372

FUND FINANCIAL STATEMENTS

PORTAGE TOWNSHIP BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2006

ASSETS	GENERAL	ROAD FUND	FIRE FUND
Cash and cash equivalents	\$81,902	\$180,316	\$156,358
Investments	15,593	\$100,510 -	\$130,336
Accounts receivable	13,373		-
Due from other funds	22,813	21,118	6,031
Due from other governmental units	23,966		
TOTAL ASSETS	\$144,274	\$201,434	\$162,389
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$4,211	s -	\$8,213
Due to other funds	2,812	<u> </u>	_
TOTAL LIABILITIES	7,023		8,213
FUND BALANCES			
Reserved for equipment	-	-	129,674
Unreserved:			,
Designated for subsequent years' expenditures	18,610	98,700	-
Unreserved, undesignated	118,641	102,734	24,502
TOTAL FUND BALANCES	137,251	201,434	154,176
TOTAL LIABILITIES			
AND FUND BALANCES	\$144,274	\$201,434	\$162,389

AMBULANCE FUND	NON-MAJOR FUND LIBRARY FUND	TOTAL GOVERNMENTAL FUNDS
\$104,510	\$19,342	\$542,428
	_	15,593
18,744	-	18,744
11,849	3,134	64,945
		23,966
\$135,103	\$22,476	\$665,676
\$ -	s -	\$12,424
	_	2,812
-		15,236
52,937	-	182,611
	-	117,310
82,166	22,476	350,519
135,103	22,476	650,440
\$135,103	\$22,476	\$665,676

PORTAGE TOWNSHIP BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2006

Reconciliation of fund balances on the balance sheets for governmental activities to the statement of net assets \$650,440 FUND BALANCES - TOTAL GOVERNMENTAL FUNDS Amounts reported for governmental activities in the statement of net assets are different because: Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 594,890 Add: capital assets (171,034)Subtract: accumulated depreciation Deferred costs used in governmental activities are not financial resources and, therefore, are not reported in the funds. 7,614 Add: debt issuance costs Long-term liabilities, including bonds payable, are not dne and payable in the current period and, therefore, are not reported as liabilities in the funds and consist of: (76,000)Subtract: bond and note payable (698)Subtract: accrued interest on long-term liabilities

\$1,005,212

The accompanying notes are an integral part of these financial statements.

NET ASSETS OF GOVERNMENTAL ACTIVITIES

PORTAGE TOWNSHIP STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2006

	GENERAL FUND	ROAD FUND	FIRE FUND
REVENUES:			
Taxes	\$103,507	\$153,990	\$50,928
Licenses and permits	8,564	· ,	, <u> </u>
State shared revenues	81,505	7,650	102
Charges for services	3,050	, -	-
Interest	8,955	5,935	3,933
Contributions	-	, -	8,100
Other	15,751		44
TOTAL REVENUES	221,332	167,575	63,107
EXPENDITURES:			
Current:	25.202		
Legislative	35,203	-	-
General government	102,378	-	- 21 400
Public safety	11,561	407.707	21,498
Public works	8,653	107,586	-
Recreation and culture	1,449	-	-
Other functions	30,521	-	125 121
Capital outlay	13,940		137,124
Deht Service:	40.000	(A #00	
Principal	10,000	62,500	
Interest and fees	300	4,165	7,614
TOTAL EXPENDITURES	214,005	174,251	166,236
REVENUE OVER (UNDER) EXPENDITURES	7,327	(6,676)	(103,129)
OTHER FINANCING SOURCES			
Bond proceeds	·	<u></u>	13,500
TOTAL OTHER FINANCING SOURCES		-	13,500
NET CHANGE IN FUND BALANCE	7,327	(6,676)	(89,629)
FUND BALANCES - BEGINNING OF YEAR	129,924	208,110	243,805
FUND BALANCES - END OF YEAR	\$137,251	\$201,434	\$154 <u>,176</u>

The accompanying notes are an integral part of these financial statements.

	NON-MAJOR FUND		
AMBULANCE	LIBRARY		
FUND	FUND	TOTAL	
\$99,636	\$26,270	\$434,331	
-	- 1	8,564	
200	53	89,510	
43,245	•	46,295	
2,249	849	21,921	
	1,450	9,550	
947	-	16,742	
146,277	28,622	626,913	
-		35,203	
-	_	102,378	
105,314	-	138,373	
- ·	- ·	116,239	
-	28,300	29,749	
- ·	•	30,521	
•	•	151,064	
_	_	72,500	
	_	12,079	
105,314	28,300	688,106	
40,963	322	(61,193)	
		13,500	
-		13,500	
40,963	322	(47,693)	
94,140	22,154	698,133	
\$135,103	\$22,476	\$650,440	

PORTAGE TOWNSHIP STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2006

Reconciliation of statement of revenues, expenditures and changes in fund balances of governmental funds to statement of activities (\$47,693) NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS Amounts reported for governmental activities in the statement of activities are different because: Governmental funds report capital outlays as expenditures. However, those costs are allocated over their useful lives as annual depreciation expense in the statement of activities. 151,064 Add: capital outlay capitalized during the current year (26,333)Subtract: depreciation expense Governmental funds report deferred costs, such as finacing costs, as expenditures. However, those costs are allocated over the related debt repayment period as annual amortization expense in the statement of activities. 7,614 Add: debt issuance costs capitalized during the current year Repayment of bond and note principal is an expenditure in the governmental funds, however, it reduces long-term liabilities in the statement of net assets. 72,500 Add: principal payments on long-term liabilities. 698 Add: decrease in the accrual of interest on bonds. Note proceeds are a revenue in the governmental funds, but are recorded as a (13,500) liability in the statement of net assets.

The accompanying notes are an integral part of these financial statements.

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$144,350

PORTAGE TOWNSHIP STATEMENT OF FIDUCIARY NET ASSETS TAX COLLECTION FUND JUNE 30, 2006

	ASSETS	AGENCY FUND
Ī	Cash	
•	LI <u>ABILI</u> TIES	
•	Due to other funds Due to other governmental units	\$62,133 1,168
	TOTAL LIABILITIES	63,301
	NET ASSETS	
	Fiduciary Net Assets	<u> </u>

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Portage Township, Mackinac County, Michigan conform to generally accepted accounting principles as applicable to governments. The following is a summary of the most significant policies.

THE REPORTING ENTITY

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14, "The Financial Reporting Entity", the financial statements of the reporting entity include those of the Township and any component units. The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. Based on these criteria, the South Manistique Lake Improvement Board is presented as a component unit.

Discretely Presented Component Unit

South Manistique Lake Improvement Board – The South Manistique Lake Improvement Board (the Board) was formed jointly by both Portage and Newton Townships, under the Natural Resources and Environmental Protection Act, PA 451 of 1994 as amended, to monitor the lake level and improve the water quality of South Manistique Lake, which lies within both Townships.

The five-member board consists of a supervisor of each township, a property owner, and a commissioner from both the Mackinac County Road Commission and Mackinac County. The Board is required to adopt an annual operating budget. Funding is provided by a special assessment of affected property owners within the district. Portage Township performs administrative functions for the Board and is the custodian of its assets. Separate financial statements are not issued for The South Manistique Lake Improvement Board.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements (Continued)

Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use. Or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues are reported instead as general revenue.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria, based on percentage of the assets, liabilities, revenues or expenditures/expenses of the governmental and proprietary funds, for the determination of major funds.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Governmental fund financial statements are reported using the current financial measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, state shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal year. All other revenue items are considered to be available when cash is received.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989.

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The Township reports the following major funds:

<u>General Fund</u> - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. Financing is provided primarily by property taxes and state shared revenues.

Road Fund - This fund accounts for revenues and expenditures attributable to improvement of various roads located within the Township. Revenue is primarily obtained from property taxes for this purpose.

<u>Fire Fund</u> - The Fire Fund is used to account for expenditures related to the Township provided fire service. Financing is provided primarily by property taxes.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) FUND TYPES AND MAJOR FUNDS (CONTINUED)

<u>Ambulance Fund</u> - The Ambulance Fund is used to account for expenditures related to the Township provided ambulance service. Financing is provided primarily by property taxes.

The Township reports the following non-major fund:

<u>Library Fund</u> - The Library Fund is used to account for expenditures related to the Township's public library, which is operated on a contractual basis by the Bayliss Public Library in Sault Ste. Marie, Michigan. Financing is provided primarily by property taxes.

Fiduciary Funds

<u>Trust and Agency Fund</u> - The Tax Collection Fund is used to account for property taxes collected for the Township and as an agent for other governmental units. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits, cash in savings and money market accounts.

INVESTMENTS

Investments are stated at cost, which approximates market, and consist of certificates of deposit with maturity values of three months or longer.

RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. All interfund receivables are reported at their gross values. Interfund transfers reflect the use of unrestricted revenues collected in the General Fund used to finance programs accounted for in other funds in accordance with budgetary provisions.

Ambulance Fund receivables are shown as net of allowance for uncollectible accounts.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) COMPENSATED ABSENCES AND POST-EMPLOYMENT BENEFITS

There is no accumulated vacation, sick leave or post-employment benefits to be recognized.

CAPITAL ASSETS

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Capital assets are generally defined by the government as assets with an initial individual cost of \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Expenditures for maintenance and repair are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvements 20-40 years Equipment and vehicles 5-20 years Infrastructure (cemetery roads) 40 years

LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources. Issuance costs are reported as debt service expenditures.

FUND EQUITY

Reserved fund balances for governmental funds indicates that portion of fund equity which has been legally segregated for specific purposes and/or does not constitute current available spendable resources. Designated fund balance indicates that portion of fund equity for which the Township has made tentative plans. Undesignated fund balance indicates that portion of fund equity, which is available for budgeting in future periods.

NOTES TO FINANCIAL STATEMENTS

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

The Township follows the following procedures in establishing the budgetary data reflected in the financial statements:

- 1. Prior to the beginning of the fiscal year, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing on July 1.
- 2. Public hearings are conducted to obtain taxpayer comments.
- 3. Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4. Budgeted amounts are as originally adopted, or as amended by the Township Board.
- 5. Appropriations expire at the end of the fiscal year.

The Township Board's budgetary procedures are in compliance with P.A 621 of 1978 (The Uniform Budgeting Act).

Excess of Expenditures Over Appropriations in Budgetary Funds

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level.

During the year the Township incurred expenditures which exceeded the amount appropriated as follows:

<u>Fund</u>	Appropriations	Expenditures	<u>Variance</u>
GENERAL			
Legislative	\$30,600	\$35,203	\$4,603
Public Works	\$ 8,000	\$ 8,653	\$ 653
Other functions	\$30,000	\$30,521	\$ 521

NOTES TO FINANCIAL STATEMENTS

NOTE 3: PROPERTY TAX

Property tax revenues for the year ended June 30, 2006, reflected in the accompanying financial statements include property taxes levied December 31, 2005. These taxes are due by February 15, 2006, and are added to the County tax rolls after February 28, 2006. The Township receives 100% payment for the delinquent tax by June, 2006.

The taxable value of the Township totaled \$57,343,613, on which ad valorem taxes consisted of 1.3667 mills for the Township's operating purposes, 2.6705 mills for roads, .9111 for fire and ambulance equipment, .4239 for fire service, 1.2724 for ambulance service and .4555 for library services, raising \$78,392 for operating purposes, \$153,990 for roads, \$52,802 for fire and ambulance equipment, \$24,640 for fire service, \$73,122 for ambulance services, and \$26,270 for library services.

NOTE 4: CASH, CASH EQUIVALENTS, AND INVESTMENTS

Primary Government

The caption on the statements of net assets relating to cash and cash equivalents and investments of the primary government represent deposits in varying amounts as follows:

Cash and cash equivalents	\$605,729
Investments (certificate of deposit)	15,593
	\$621,322

<u>Custodial Credit Risk – Deposits:</u> At year-end the carrying amount of the Township's primary government deposits were classified as to risk as follows:

	Carrying	Bank
	Amount	Balance
Insured (FDIC)	\$463.306	\$463,308
Uninsured – uncollateralized	158,016	175,659
	\$621,322	\$6 <u>38,</u> 967

All accounts are in the name of the Township and a specific fund. They are recorded in Township records at cost. Interest is recorded when deposits mature or is credited to the applicable account.

Component Unit

The captions on the statement of net assets relating to cash and cash equivalents of \$6,372 in the Component Unit column represent deposits in one financial institution located in Michigan. The total deposits do not exceed \$100,000 and therefore, are covered by the Federal Deposit Insurance Corporation (FDIC).

NOTES TO FINANCIAL STATEMENTS

NOTE 4: CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated level are used as depositories. The Township may experience significant fluctuations in deposit balances through the year.

Investing is performed in accordance with investment policies complying with state statutes. The Township's deposits and investments are in accordance with statutory authority.

Statutory Authority

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States government or Federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

NOTE 5: INTERFUND BALANCES AND TRANSFERS

Interfund receivables and payables at June 30, 2006 are as follows:

Fund	Interfund Receivable	Interfund Payable	
General	\$22,813	\$2,812	
Road	21,118	-	
Fire	6,031	-	
Ambulance	11,849	_	
Library	3,134	_	
Tax Collection		62,133	
Total	\$64,945	\$64,945	

There were no operating transfers for the year ended June 30, 2006.

NOTES TO FINANCIAL STATEMENTS

NOTE 6: CAPITAL ASSETS

Primary Government

Capital asset activity of the primary government activities for the current year was as follows:

	Balance			Balance
	July 1, 2005	Additions	Deletions	June 30, 2006
Not being depreciated:				
Land	\$48,000	\$ -	\$ -	\$48,000
Being Depreciated:				
Buildings	195,825	-	-	195,825
Equipment	40,601	7,554	-	48,155
Vehicles	159,400	129.570	-	288,970
Infrastructure	<u>-</u>	13,940		13,940
Subtotal	443,826	151,064	-	594,890
Less accumulated depreciation	(144,701)	(26,333)		(171,034)
Total	\$299,125	\$124,731	<u> </u>	\$423,856

Depreciation was charges to the Township's functions as follows:

General government	\$2,834
Public safety	21,295
Recreation and culture	2,204
	\$26,333

Component Unit

There was no capital asset activity for the component unit activities for the current year.

NOTES TO FINANCIAL STATEMENTS

NOTE 7: LONG-TERM DEBT

A summary of long term obligations at June 30, 2006, and transactions related thereto for the year then ended is as follows:

	Beginning Balance	Additions	(Reductions)	Ending Balance	Due Within One Year
\$250,000 2003 Road improvement General Obligation Capital Improvement Road Bonds, duc in annual installments of \$62,500 plus interest at 3.35% through March, 2007.	\$125,000	\$ -	(\$62,500)	\$62,500	\$62,500
U.S.D.A. Act 99 installment contract payable, fire trucks, annual payments ranging from \$2,500 to \$15,000, plus interest at 4.25%, through March, 2021.		13,500		13,500	8,500
\$40,000 2002 land contract due in annual installments of \$10,000 plus interest at 3.0% through November, 2005.	10,000		(10,000)		-
Total governmental activities long-term debt	\$135,000	\$13,500	(\$72,500)	\$76,000	\$71,000

The annual principal and interest requirements for the years ending June 30, 2006 and thereafter, including \$2,532 in interest, are as follows:

Year Ended June 30,	
2007 2008	\$73.326 5,206
Total	<u>\$78,532</u>

Interest expense for the year ended June 30, 2006, unallocated, was \$3,767.

NOTE 8: DEFERRED CHARGES

Debt issuance costs of \$7,614 relating to the U.S.D.A. installment notes will be amortized as interest expense over the life of the notes. No interest expense for the amortization of these costs were recognized in the current year.

NOTE 9: RESERVES AND DESIGNATIONS

Fire Fund - The Fire Fund has \$129,674 reserved for the purchase of fire-fighting equipment.

Ambulance Fund - The Ambulance Fund has \$52,937 reserved for the purpose of ambulance equipment.

Designations - The General Fund has \$18,610 and the Road Fund has \$98,700 designated for subsequent years' expenditures.

NOTES TO FINANCIAL STATEMENTS

NOTE 10: CONSTRUCTION CODE

The Township collects fees for permits and conducts inspections in accordance with Act 245 of 1999 and accounts for the related activity in the General Fund. Revenues are shown in Licenses and Permits and the related expenditures are shown under Public Safety – Building Inspector expenditures. Following is this activity for the year ended June 30, 2006, as reported in the accompanying governmental funds financial statements:

Revenues:

Licenses & permits	\$7,928
Expenditures:	
Contracted service	7,758
Other	1,726
Total Expenditures	9,484
Revenue Over (Under) Expenditures	(\$1,556)

NOTE 11: RISK MANAGEMENT

Portage Township participates in the Michigan Township Participating Plan for general liability, property loss, professional, public official errors and omissions liabilities. This plan is a self-insurance risk association operating within the State of Michigan pursuant to Act 138, Michigan Public Acts of 1982. This plan, through its risk manager, secures insurance policies or reinsurance treaties to cover the risks undertaken on behalf of the Township. The Township pays an annual premium to the Michigan Participating Plan for its general insurance coverage and has no additional liability beyond the premiums made to this plan.

The plan has a maximum liability for property of \$675,000, general liability of \$4,000,000, wrongful acts of \$3,000,000, crime of \$10,000, automobile of \$2,000,000, inland marine liability of \$129,200 and bonding for public officials errors and omissions. Additionally, the Township has purchased commercial insurance for workman's compensation benefits.

Claims for commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTES TO FINANCIAL STATEMENTS

NOTE 12: CONTINGENCIES

In the normal course of operations, the Township receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 13: COMMITMENTS

The Township is committed under contracts for road improvements in the approximate amount of \$175,000.

The Township is committed under contracts for the purchase of two new fire trucks where the remaining amount due is approximately \$269,500.

NOTE 14: SUBSEQUENT EVENTS

The Township incurred additional installment debt on a U.S.D.A. note in the amount of \$157,000, for a total of \$170,500 and a \$51,000 note, and received a grant of \$60,000 for the purchase of the two new fire trucks.

REQUIRED SUPPLEMENTARY INFORMATION

PORTAGE TOWNSHIP BUDGETARY COMPARISON SCHEDULE GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
TAXES				
Property taxes	\$118,000	\$118,000	\$78,392	(\$39,608)
Administration fees	_	-	23,798	23,798
Interest and penalties	<u>-</u>		1,317	1,317
TOTAL TAXES	118,000	118,000	[03,507	(14,493)
LICENSES AND PERMITS				
Building permits	10,000	10,000	7,928	(2,072)
Other licenses and permits			636	636
TOTAL LICENSES AND PERMITS	10,000	10,000	8,564	(1,436)
STATE SHARED REVENUES				
State land tax	-	-	8,662	8,662
Other state shared revenues	75,000	75,000	72,843	(2,157)
TOTAL STATE SHARED REVENUES	75,000	75,000	81,505	6,505
CHARGES FOR SERVICE				
Cemetery lots	4,000	4,000	3,050	(950)
TOTAL CHARGES FOR SERVICE	4,000	4,000	3,050	(950)
INTEREST INCOME	2,000	2,000	8,955	6,955
OTHER				
Rents	-	-	446	446
Reimbursements and other	17,000	17,000	15,305	(1,695)
TOTAL OTHER	17,000	17,000	15,751	(1,249)
TOTAL REVENUE	226,000	226,000	221,332	(4,668)

PORTAGE TOWNSHIP BUDGETARY COMPARISON SCHEDULE GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2006

VARIANCE WITH

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
LEGISLATIVE				
Township Board	\$30,600	\$30,600	\$35,203	(\$4,603)
GENERAL GOVERNMENT				
Supervisor	8,200	8,200	7,319	881
Elections	1,700	1,700	1,159	541
Assessor	24,160	24,160	23,995	165
Clerk	13,100	13,100	12,319	781
Equalization	12,000	12,000	8,552	3,448
Board of review	800	800	640	160
Treasurer	13,100	13,100	12,465	635
Cemetery	15,000	15,000	3,422	11,578
Township properties	33,500	33,500	32,507	993
TOTAL GENERAL GOVERNMENT	121,560	121,560	102,378	19,182
PUBLIC SAFETY				
Building inspector	10,500	10,500	9,484	1,016
Planning	4,500	4,500	1,156	3,344
Board of appeals	1,100	1,100	921	179
TOTAL PUBLIC SAFETY	16,100	16,100	11,561	4,539
PUBLIC WORKS				
Street lighting	5,000	5,000	5,318	(318)
Sanitation	3,000	3,000	3,335	(335)
TOTAL PUBLIC WORKS	8,000	8,000	8,653	(653)
RECREATION AND CULTURE				
Parks	3,000	3,000	1,449	1,551
OTHER FUNCTIONS	30,000	30,000	30,521	(521)
CAPITAL OUTLAY	10,000	10,000	13,940	(3,940)
DEBT SERVICE				
Principal	10,000	10,000	10,000	-
Interest and fees	600	600	300	300
TOTAL DEBT SERVICE	10,600	10,600	10,300	300
CONTINGENCIES	15,000	15,000		15,000
TOTAL EXPENDITURES	244,860	244,860	214,005	30,855
NET CHANGE IN FUND BALANCE	(18,860)	(18,860)	7,327	26,187
FUND BALANCE, BEGINNING OF YEAR	129,924	129,924	129,924	-
FUND BALANCE, END OF YEAR	\$111,064	\$111,064	\$137,251	\$26,187

PORTAGE TOWNSHIP BUDGETARY COMPARISON SCHEDULE SPECIAL REVENUE - ROAD FUND FOR THE YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	\$150,000	\$150,000	\$153,990	\$3,990
State shared revenues	-	-	7,650	7,650
Interest	1,000	1,000	5,935	4,935
TOTAL REVENUES	151,000	151,000	167,575	16,575
EXPENDITURES:				
Public works	210,000	210,000	107,586	102,414
Debt Service:				
Principal	62,500	62,500	62,500	-
Interest and fees	7,500	7,500	4,165	3,335
TOTAL EXPENDITURES	280,000	280,000	174,251	105,749
NET CHANGE IN FUND BALANCE	(129,000)	(129,000)	(6,676)	122,324
FUND BALANCE, BEGINNING OF YEAR	208,110	208,110	208,110	
FUND BALANCE, END OF YEAR	\$79,110	\$79,110	<u>\$201,434</u>	\$122,324

PORTAGE TOWNSHIP BUDGETARY COMPARISON SCHEDULE SPECIAL REVENUE - FIRE FUND FOR THE YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	\$49,500	\$49,500	\$50,928	\$1,428
Federal revenues	60,000	60,000	-	(60,000)
State shared revenues	-	,	102	102
Charges for services	1,500	1,500		(1,500)
Interest	900	900	3,933	3,033
Contributions	-	-	8,100	8,100
Other		-	44	44
TOTAL REVENUES	111,900	111,900	63,107	(48,793)
EXPENDITURES:				
Public safety	33,000	33,000	21,498	11.503
Capital ontlay	347,500	33,000 347,500	137,124	11,502 210,376
Debt Service:	347,300	347,300	137,124	210,376
Interest and fees	8,000	8,000	7,614	386
TOTAL EXPENDITURES	388,500	388,500	166,236	222,264
REVENUE OVER (UNDER) EXPENDITURES	(276,600)	(276,600)	(103,129)	173,471
OTHER FINANCING SOURCES				
Bond proceeds	170,500	170,500	13,500	(157,000)
TOTAL OTHER FINANCING SOURCES	170,500	170,500	13,500	(157,000)
NET CHANGE IN FUND BALANCE	(106,100)	(106,100)	(89,629)	16,471
FUND BALANCE, BEGINNING OF YEAR	243,805	243,805	243,805	
FUND BALANCE, END OF YEAR	\$202,105	\$202,105	\$154,176	\$16,471

PORTAGE TOWNSHIP BUDGETARY COMPARISON SCHEDULE SPECIAL REVENUE - AMBULANCE FUND FOR THE YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	\$97,000	\$97,000	\$99,636	\$2,636
State shared revenues	_	•	200	200
Charges for services	26,000	26,000	43,245	17,245
Interest	700	700	2,249	1,549
Other	200	200	947	747
TOTAL REVENUES	123,900	123,900	146,277	22,377
EXPENDITURES:				
Public safety	107,000	107,000	105,314	1,686
TOTAL EXPENDITURES	107,000	107,000	105,314	1,686
NET CHANGE IN FUND BALANCE	16,900	16,900	40,963	24,063
FUND BALANCE, BEGINNING OF YEAR	94,140	94,140	94,140	-
FUND BALANCE, END OF YEAR	\$111,040	\$111,040	\$135,103	\$24,063



mber:

American Institute of Certified Public Accountants Michigan Association of Certified Public Accountants

December 5, 2006

Township Board Portage Township Mackinac County, Michigan

In planning and performing my audit of the financial statements of *Portage Township*, *Mackinac County*, *Michigan*, for the year ended June 30, 2006, I considered the Township's internal control structure to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during my audit I became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and recommendations regarding those matters. This letter does not affect my report dated December 5, 2006 on the financial statements of *Portage Township*.

Thank you for the opportunity to serve *Portage Township*. I appreciate the assistance I received from both the Clerk and Treasurer during my audit. Best wishes in the next year.

Sincerely,

Richard E. Mahlmeister, C.P.A.

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Portage Township Comments & Recommendations December 5, 2006 Page 2 (two)

Excess of Expenditures Over Appropriations

Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2006, the Township incurred expenditures in certain budgetary funds, which exceeded the amount appropriated, as shown in the body of the financial statements.

I recommend that the Township Board on a periodic basis, review appropriations as compared to actual expenditures and, prior to incurring additional expenditures, amend the budget as necessary to avoid incurring expenditures in excess of appropriations.

Tax Collection Account Balances

The Treasurer's tax collection accounts are fiduciary accounts, which means that the Township assumes a fiduciary role by acting as a steward for the tax collections belonging to others, including the various funds of the Township. As such, the monies in the tax collection accounts should be disbursed regularly, and the balance at the end of the year should be \$0 (less a minimal amount that may be required by your bank to keep the account(s) open).